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STATE REORGANIZATIONS AND THE FEDERAL PROBLEM

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ILLINOIS in 1917, and Nebraska and Idaho in 1919 enacted complete state administrative reorganizations with respect to that part of the state executive authority not under the control of elective state officers other than the governor. The state executive power is by constitutional provision in these states vested in part in elective state officers other than the governor, and this situation cannot be changed without constitutional amendment; but the governor is so much more important than other elective state officers that a reorganization of the services not under these lesser officers covers about nine-tenths of the state's activities. But because all cannot be consolidated under the governor, the one-tenth remaining outside constitutes an administrative problem whose seriousness cannot be measured by percentages. In 1921 similar legislation was enacted by the states of Washington and Ohio. To what extent do these state administrative reorganizations throw light upon the similar federal problem? Illinois until recently had perhaps the most effective administrative reorganization, although the legislation enacted in Ohio in 1921 is in many respects more satisfactory. However, the Ohio situation is much less satisfactory than that of Illinois in that the governor of Ohio serves for a two-year term only, whereas the governor of Illinois has a four-year term.

The state administrative reorganizations referred to above are sometimes spoken of as having been copied from the federal administrative organization. That is, these state reorganizations seek to combine in a single department somewhat related functions, and to form the heads of the several departments into what substantially amounts to a governor's cabinet. So far the analogy between the state administrative reorganizations and the present federal administrative organization is fairly close, but such analogy goes no farther. In Illinois the

powers to be exercised by a department have been vested in the department as such, and are under the direct and immediate supervision of the head of that department, although under the Illinois legislation the heads of divisions within departments are appointed by the governor in the same manner as are the heads of departments. Under the Ohio administrative reorganization of 1921 all powers are vested in the departments, and the heads of departments are appointed by and removable by the governor. However, the Ohio plan goes a step farther than that of Illinois and gives to the head of each department the appointment of the chiefs of divisions within that department. To this statement a single exception should be made, that with respect to the officer charged with the supervision of banks.

Not only this, but in Ohio the directors of the departments of Finance, Industrial Relations and Commerce, have been made respectively the secretaries of the Tax Commission, the Industrial Commission, and the Public Utilities Commission, and the administrative side of the work of these three commissions has substantially been made a part of the administrative work of the respective departments. The commissions have been left independent in the performance of their quasi-judicial tasks, but in Ohio the longest step has been taken toward having the head of each department in substantially complete control of the work of that department.

Under the federal administrative system at the present time there are, of course, ten departments, with their heads serving as members of the president's cabinet, but there are also a number of independent offices and commissions which are not in any way tied up with these departments. The president faces in his supervision of the national executive authority not merely ten departments, but these ten departments plus a number of independent offices and commissions.

Not only this, but when we come to analyze the several departments of the national government, we find that there is no complete authority in the head of a department over the specific activities supposedly under his supervision. Under the administrative reorganization in Illinois to a large extent, and more completely under the administrative reorganization in Ohio, the powers vested in a department are vested in the department

itself, and are under the complete control and supervision of the director of the department. The director of the department is, therefore, responsible to the governor of the state for the work of that department, and through the heads of the several departments the governor is in a position when budget estimates are to be made up, to say definitely what should be done, and to supervise the estimates not only of the head of the department but also of each division within the department.

In the federal administrative organization at the present time powers are in the main not vested in the department, but are directly vested in some one of the bureaus of the department; and in the performance of their statutory functions a large number of the federal bureaus within the ten departments are substantially as independent of the head of the department as they would be of an outsider. That is, under the federal system there is a theoretical subordination of bureaus to departments and of departments to the president, but this subordination is largely theoretical because of the steady growth of independent functions vested by statute in the various bureaus, such functions being exercised to a large extent independently of the head of the department. In fact, in connection with the recent budget proposals, the most serious defect in the federal administrative organization from the standpoint of real responsibility has been exalted into a virtue, and it has been urged that one of the merits of the new budget system established by act of June 10, 1921, is that the budget director is to exercise his powers by virtue of statute or of executive regulations independently of the department in which he is nominally placed. So long as the federal administrative system has a theoretical organization of ten departments, but practically an organization into independent units within departments, there can be no effective responsibility of this administrative organization to the president. The president can, of course, issue orders through the heads of departments to the heads of substantially independent bureaus; but without express orders from the president, the heads of departments must be very careful as to the degree of supervision which they may seek to exercise over bureaus within their departments substantially independent in the matter of legal duties and whose heads are appointed in the same manner as are the heads of departments. That is, under the

present federal organization the president faces not merely ten departments (plus various independent offices and commissions) but actually faces as many independent administrative units as there are independent statutory functions; and such a department as the treasury department is not one unit but largely a group of independent statutory functions.

The mere rearrangement of the units of the federal administrative system will accomplish little or nothing unless there is some type of organization adopted which will bring a more distinct responsibility of bureaus to departments, and by bringing such a greater degree of responsibility of bureaus to departments, will give to the president of the United States a more effective means of controlling the federal administrative system through the heads of departments. It is an interesting fact that during the emergency of war, a whole group of great activities of the national government was organized independently of the ten departments, although many of these war activities bore a close relationship to existing departmental functions.

The heads of departments of the federal system must remain and should properly remain officers changing with administrations—officers through whom the president exercises or may exercise a fairly complete supervision over the policies of the national administration. That is, the heads of the ten great departments in Washington should serve much the same purpose as do the cabinet officers under the British system. They should be the officers through whom policy is determined, and they should have under them an effective and permanent administrative system through which policies are executed. On the whole, there is substantially little need for changing each four years any officers below the heads of the ten great departments, and there should be so far as possible permanent and technically trained heads of bureaus to carry out effectively the policies determined upon. There should also be permanent administrative departmental heads under the cabinet officers who may constitute a professional and technical group, not for the determination of policy, but for the effective carrying out of the policies determined upon by the president and his cabinet.

When it is carefully analyzed, the present federal adminis-

trative system does not look very dissimilar from the state administrative system of Illinois before the reorganization of 1917. The state administrative system of Illinois so far as it was immediately responsible to the governor in Illinois before 1917 was composed of some hundred or more independent offices, boards, and commissions, each with its separate statutory powers, and each with its separately appointed and independent head. These offices were too numerous to be effectively supervised by any one man, and their relationships with each other and with the head of the executive department were such that the governor exercised and could exercise only a perfunctory supervision over them. The state administrative reorganizations in Illinois and Ohio have taken as their fundamental principle, not only that all of these previously independent functions should be grouped under departments, but also that the functions brought within any one department should be vested not in sub-divisions of that department but in the department itself, and subject to the immediate supervision of the director of that department.

Of course, there are always some activities, both in federal and in state administration, of a quasi-judicial character, which must to a large extent be handled independently of the heads of departments. The theory as to such functions has led, however, to too great a creation of independent boards and commissions at Washington, and to too much of a setting up of independent statutory powers in the bureaus within departments. Without some reduction of this practice and something of a real supervision by the heads of the great departments, no effective administrative reorganization can be brought about.

Not only this, but without steps in the direction of real responsibility of bureaus to departments in Washington, there can be no very effective budgetary organization. The Illinois budgetary experience shows quite clearly that what is needed in order to establish an effective executive budget is not so much detailed legislation or constitutional amendments for a budget system, as it is such a responsibility of the administrative organization to the governor that the governor may determine in the last resort what general financial plan shall be submitted to the legislative body as a basis for appropriations. Not only this, but the plan submitted by the governor, or by the

president for appropriations, means little or nothing unless the head of the executive, whether he be president or governor, so controls his administrative organization that there is no lobbying behind his back in order to get greater appropriations than those to which he has consented in the submission of his financial program. The executive department is the great spending department of the government, and the president is not really the executive head unless he controls the financial program of that department. Without such a control the submission of a budget by the president or by a governor amounts to little more than the paper upon which it is printed.

The problem of standardization of administrative personnel is but another aspect of the problem discussed above. By a standardization of personnel and of its compensation, it is possible to simplify the methods of preparing a financial program and to obtain a uniformity of compensation throughout all of the departments of the federal system. Here again the problem is one which has a vital relationship to administrative reorganization and to the budget. No effective budget under executive control can ever be established so long as the several departments of the national government enter into a competition with each other as to the compensation to be paid their superior and subordinate employees. A definite plan for the standardization of compensation, worked out under the supervision of the president in cooperation with the heads of his departments and made a part of a financial program submitted to Congress (which may not be defeated by bureaus and departments lobbying with Congress), constitutes an essential of a proper budget.

What is sought to be emphasized in this statement is that federal administrative reorganization, financial program, and standardization of personnel, constitute a single program so tied together that they must be handled as a unit. Any plan of federal budgetary administration which does not take into account the necessity for a federal administrative reorganization is almost sure to fail. In fact, what must almost necessarily be done in order to have an effective budget in the national system is first to obtain such an administrative reorganization as will give to the president through the heads of his great departments a real and substantial command of the situation.

A budget is the financial picture of the government for which it is made, and the picture cannot readily be retouched so as to look better than the government which constitutes the original. There can be no centralized budgetary control unless there is an administrative control and responsibility. The budget is not merely an estimate of proposed appropriations, or such proposal plus proposed means of raising revenue. It is the financial plan for the operation of government during the period covered by such proposals enacted into law. The administration of the budget, year in and year out, is equally as important as its proposal and legislative approval. Permanent financial control is an essential element in a successful budget. The experience of Illinois makes it seem highly desirable that there should be a department under the president or governor whose sole function should be to prepare the budget, and to exercise a permanent financial control so as to see that the budget is actually carried out. Unless these two functions are united into a single department, no budget director will have the detailed information upon the basis of which to pass upon proposed estimates which are to constitute a budget, and no department or office charged with financial control can fully know the budget program which it is supposed to administer.

A department charged with these functions should be limited to the task of financial control, for to charge it with large administrative work in addition would almost certainly destroy its efficiency as a financial agency. An administrative supervision over the enacted budget is essential, and this supervision so as to make sure that the budget once enacted is an actual force, can never be divorced from the task of preparing a budget. The two tasks are executive, and constitute a single problem, and in no way encroach upon the legislative department. United and properly performed, they make possible the exercise of the legislative function of controlling governmental policy upon the basis of adequate information. The legislative department is properly not organized to administer the details of financial control, and if it sought to organize itself for this purpose would almost certainly lose in a maze of details the control of policy which it can and should actually exercise. The very magnitude of the federal problem of budgetary and financial control makes it more essential than in the states that

the legislative department should guard against losing its way in the labyrinth of accounting and financial detail. Not only are these two functions inseparable, but it is difficult to see how the president can be the head of an executive department which is really responsible to him unless he controls the budgetary recommendations made by all parts of the executive department, and the administration of appropriations made to that department. For Congress to seek to hold him responsible for results in his department without giving him power to achieve results would be futile.

One of the most serious difficulties in the past with federal financing has arisen because of deficiencies which must be met at each session of Congress. It is very well to say that Congress will not appropriate to meet deficiencies which have already been incurred, but no legislative body can or should take such an attitude. Under the plan involved in the federal legislation of June 10, how is the problem of deficiencies to be met? The budget authority and the accounting authority are made independent of each other, and under the accounting authority as it has operated in the past little has been or could have been accomplished to prevent the creation of deficiencies. In order to prevent deficiencies, something needs to be done in the administration of appropriations from the very date when such appropriations become available, and there is need for a definite plan of reporting month by month not merely what money has been expended, but also what obligations have been incurred. With machinery for the preparation of the budget independent of the machinery for budgetary control throughout the life of the budget, such a plan of reporting is not likely to be set up, and the existence or possible existence of deficiencies cannot be known to the budget authority until new estimates come to be prepared. It is then too late to deal in any intelligent manner with the problem of deficiencies. This problem is cited as illustrating the necessity for uniting the preparation of budget estimates with a continuous budgetary control. This does not mean that the details of accounting should be handled as a part of budgetary control, but it does mean that in order to have an effective budget in state or nation, power must be in the same hands to prepare and obtain legislative approval of a budget, and also to see that this budget

is lived up to for the whole period which it covers. There has never been in the federal organization any effective machinery for this purpose and no machinery is set up by the recent legislation. Any success with the budget obtained under the Illinois reorganization of 1917 has been obtained by the union of the two functions here under discussion.

There is no intention here of going into the problem of congressional organization for the consideration of the budget. This problem is too important to be considered within the present limits in reference to state experience, but it is, of course, necessary that there be a greater unification of congressional machinery than that now existing.

A word should be said about one of the chief problems of state and national budgetary organization—the problem of continuity of policy as bearing upon frequent changes of administrations. Illinois has just had her first test of budgetary procedure in this respect. If each state and national administration is to disregard the policies of the past administration and is to establish anew its financial policy without reference to the past, a budgetary plan will fail at each time when governors or presidents change. This does not mean that a financial plan should be independent of the executive, for the financial plan is really one of the most essential means through which the executive is to exercise a real control over his administration. However, it does mean that some method must be worked out by which the head of a new administration is (before that administration begins) coordinated with the financial activities of the administration which is just ceasing to have authority.

This article seeks to emphasize certain things as essential:

(1) There must be a centralized and carefully coordinated executive administration.

(2) The executive is and will remain the chief spender of money, and must through its head have complete control over the financial program for executive expenditures, and must exercise that control so that its subordinates will not by lobbying or otherwise upset such a financial program.

(3) There must be a budgetary administration throughout the whole life of a budget, carried on by the same office which prepares the budget; in order that the financial program of the executive department may be lived up to, and in order that the

body finally passing upon and preparing the complete estimates may have information upon the basis of which to act intelligently.

(4) The legislative department must have sufficient information as to past expenditures and future proposed expenditures to pass intelligently upon all matters of financial policy, but for this purpose it will derive little aid from the details of accounting procedure involved in the actual payment of the government's bills.

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